

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ANALYSIS OF THE "LEAST COST)	
PLANNING EVALUATION" SUBMITTED BY)	CASE NO.
KENTUCKY-AMERICAN WATER COMPANY)	9696

O R D E R

In Case No. 9283, Notice Of Adjustment Of The Rates Of Kentucky-American Water Company ("Kentucky-American"), the Public Service Commission ("Commission") directed Kentucky-American to reevaluate its role in encouraging the efficient use of water resources and to evaluate the role of programs to reduce demand in the system-planning process. The purpose of the study was to evaluate the costs and benefits to the ratepayers of programs to encourage water conservation and to determine the value of incorporating programs to reduce demand into the system planning process.

The Order, issued October 1, 1985, required Kentucky-American to submit a plan detailing the process and schedule for this study within 90 days. The final report was to be filed with the Company's next rate case.

In response to a petition for rehearing filed by Kentucky-American on October 18, the Commission acknowledged the difficulty of linking the submission of the study with the submission of a general rate application. For this reason, the Commission modified its order of October 1 to separate the schedule for the study from the submission of a general rate application.

Procedurally, the Commission decided to treat the project as an independent study with Commission participation. Kentucky-American employed a consulting firm, Economic and Engineering Services ("EES") of Bellevue, Washington, to conduct the evaluation.

On May 2, 1986, the Scope of Work for the Least Cost Planning Evaluation was accepted as final. The intervenors in Case No. 9283 were notified and encouraged to participate on an informal basis during the course of the study. On June 30, the intervenors in Case No. 9283 were sent copies of a flow chart that identified the programs being considered by Kentucky-American in the Least Cost Planning Evaluation.

Meetings were held on June 5, August 7, and September 3 with the Commission, representatives of Kentucky-American and EES; and Commission staff to discuss the progress on the Least Cost Planning Evaluation. Kentucky-American also integrated the evaluation with its long range capital investment plan.

During the course of this evaluation Kentucky-American submitted a draft of the Comprehensive Planning Study ("CPS"), the company's long term plan for capital investment, for review by the Commission. Kentucky-American also decided to combine the recommendations from the Evaluation and CPS into one document.

The Commission has decided to establish a case to analyze the initial findings and recommendations presented by EES. The Commission considers it appropriate to ask questions and raise issues in regard to the CPS during this case also. The purpose of

this case is to obtain public comment on the results of the Least Cost Planning Evaluation and the CPS.

The Commission is especially interested in comments on proposed changes to rate design, the need for a 5.0 million gallons per day ("MGD") Kentucky River plant ready by 1990, and the need for a pilot project to estimate the effectiveness of non-conventional methods in Kentucky-American's service area.

The Commission intends to use the record in this case to finalize its recommendations to Kentucky-American on implementation.

The Commission encourages all interested parties, especially the Lexington-Fayette Urban County Government and the Attorney General's Office to participate in this proceeding.

IT IS THEREFORE ORDERED that:

1. This investigation be instituted.
2. Written testimony shall be filed by Kentucky-American on or before November 4, 1986.
3. A hearing be and it hereby is scheduled on November 11, 1986, at 9:00 A.M., Eastern Standard Time, in the Commission's Offices at Frankfort, Kentucky, for the purpose of cross-examining witnesses of Kentucky-American.

Done at Frankfort, Kentucky, this 10th day of October, 1986.

PUBLIC SERVICE COMMISSION

Richard D. Homan jr
Chairman

[Signature]
Vice Chairman

Spence W. Williams
Commissioner

ATTEST:

Executive Director